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## **N**EWSPRINT DEFICIT

by

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## NEWSPRINT DEFICIT

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**F**OR FIFTEEN YEARS the paper on which newspapers are printed has risen steadily in cost and has been generally scarce. In 1956 newsprint requirements of American dailies and weeklies are running at an all-time high. Although both Canadian and American mills are operating at full capacity,<sup>1</sup> demand again threatens to outstrip supply. The situation is tight and is likely to remain so.

Few commodities are more affected with a public interest than newsprint. Plentiful, fairly-priced supplies of what is "one of our most potent weapons" in the war of ideas with Russia are highly desirable.<sup>2</sup> Since new price increases were announced last autumn, at least three congressional committees have indicated various degrees of concern about the newsprint situation; one has held hearings, and others may take a hand before the present session of Congress ends.

### CONSUMPTION, SHORTAGES, AND PRESENT SITUATION

After two years in which supply was fairly adequate, the year 1955 brought an unexpectedly large increase in consumption of newsprint in the United States. A record total of 6,466,000 tons was used last year, six per cent more than in 1954. Even so, demand was not fully satisfied; during the year some 56,000 tons had to be withdrawn from publishers' inventories. Toward the end of 1955, many United States and Canadian mills were receiving more orders than they could fill; some had to cut deliveries from 5 per cent to as much as 13½ per cent.

As a result of cutbacks in promised deliveries and the general stringency of supply, newspapers have adopted various conservation measures. Some have turned to nar-

<sup>1</sup> Combined U.S. and Canadian newsprint production in March 1956 totaled 701,866 tons, the largest output of any month on record.

<sup>2</sup> Words used by President Eisenhower, then Supreme Commander, Allied Powers Europe, in letter to Sen. Hubert H. Humphrey (D-Minn.), dated Mar. 13, 1952.

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row columns and smaller pages. Others have been forced, on certain days, to ration advertising space or to eliminate ads altogether; some have dropped comic strips or editorial pages; a few have lacked enough paper to meet all their editions. Smaller papers in particular have been adversely affected, but one or another of the above measures has been resorted to by papers as large as those published in Atlanta, Ga., Bridgeport, Conn., Denver, Colo., and Rochester, N.Y.<sup>3</sup>

The 525 papers reporting to the American Newspaper Publishers Association—papers using about 76 per cent of all the newsprint consumed in the United States—had an average of only 33 days' supply of newsprint (on hand and in transit) at the end of March. That was a slight improvement over the 27 days' supply at the end of October and November 1955, which was the lowest since June 1933, but it was still a little below the 35 days' supply of February 1956 and far below the average of 46 days' supply for the years 1952 through 1954.

#### OUTLOOK FOR A CONTINUED SCARCITY OF NEWSPRINT

A "newsprint watchdog" subcommittee of the House Interstate and Foreign Commerce Committee reported, Mar. 27, that "nothing in the near-term outlook" gave any assurance that newsprint users would "continue to get all . . . the newsprint they might want." The subcommittee published estimates that put 1956 consumption demand for newsprint at 6,850,000 tons and the amount required to replenish publishers' stocks at 200,000 tons.<sup>4</sup> With this year's supply projected at only 6,810,000 tons, a consumption deficit of 40,000 tons and an overall deficit of 240,000 tons were indicated.

The Commerce Department reported to the subcommittee that, although a "near balance between consumption demand and supply" seemed likely for the full year 1956, individual consumers of newsprint might "experience difficulty in obtaining all . . . they desire." An earlier Commerce Department analysis of worldwide newsprint production and supply showed a "substantial world deficit in newsprint and an apparent substantial deficit for United

<sup>3</sup> Even the Government Printing Office has had difficulty in getting enough newsprint, but it has been assured, through the efforts of the Commerce Department and the Newsprint Service Bureau, of an adequate supply for such essential needs as printing of the *Congressional Record*.

<sup>4</sup> The 200,000 tons would bring publishers' inventories up to the desired 45-day level by the end of 1956.

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States publishers for some years to come." At present, said the report, there is "little knowledge as to how the anticipated deficit after 1958 will be overcome."

The Newsprint Association of Canada, in a statement released last Dec. 6, said: "Current demand appears to exceed supply available from all sources, and this situation seems likely to prevail until capacity expansion now under way comes into production." But Cranston Williams, general manager of the American Newspaper Publishers Association, told the House subcommittee, Jan. 25, that he foresaw a shortage of 500,000 to 1,000,000 tons by 1960, even if all present prospects for expansion of the newsprint industry were realized.

#### RISE IN PRICE OF NEWSPRINT TO POSTWAR HIGH

As is almost always the case, the current tightness of supply has brought a rise in newsprint prices. After mid-October, when the St. Lawrence Corporation of Quebec announced a \$5-per-ton hike, most producers raised their prices. Although the various increases ranged from \$3 to \$5, they leveled off in late December at \$4 a ton.

Pricing in the newsprint industry is characterized by "price leadership." A new price set by a leading producer is quickly followed by other manufacturers. Thus, prices generally are identical and tend to rise and fall in unison. Newsprint sales contracts often contain interlocking provisions which tie the price of one firm to the average of prices set by two or more named companies.

The average increase of \$4 a ton made the New York delivered price \$130 a ton, the highest since the all-time peak of \$135 was touched in 1921 and more than double the price at the end of World War II.<sup>5</sup> Gray-market prices ranging from \$180 to \$250 a ton have been reported, but the Commerce Department says the tonnages involved have not been large. During the 1951 newsprint shortage, black-market prices ranged as high as \$350 a ton.

Spokesmen for the Canadian mills said the price boost was made necessary by higher wages and increases in other

<sup>5</sup> The effect of the raise may be judged from the fact that the cost of newsprint has been estimated by the Commerce Department to range from 15 per cent of total cost in the case of small weeklies and dailies to as much as 65 per cent for large dailies.

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#### PRICES OF NEWSPRINT, 1939-1956 (Per ton delivered in New York)

1939	\$50	1945	\$ 60	1951	\$105
1940	50	1946	72	1952	116
1941	50	1947	84	1953	126
1942	50	1948	96	1954	126
1943	55	1949	100	1955	126
1944	58	1950	101	1956	130

SOURCE: Reports of congressional committees.

production costs.<sup>6</sup> Robert M. Fowler, president of the Canadian Pulp and Paper Association, speaking in Montreal, Jan. 27, defended the increase as being only a fraction of those put in effect in other industries in recent years. He said it was justified not only by higher costs but also by market demand and responsibility to stockholders. President Percy M. Fox of the St. Lawrence Corporation was quoted by the Toronto *Financial Post* as saying that a higher return was needed because "We've got to find more tonnage to supply worldwide consumers and to do this we require financing."

The October price increases set off a series of sharp protests by both American and Canadian publishers and by public officials not satisfied with the papermakers' explanations. Publishers' spokesmen asserted that profits of the newsprint companies were more than adequate. William Dwight, vice president of the American Newspaper Publishers Association, told a Pittsburgh audience "The newsprint industry is making more money and greater surpluses than ever and we question the wisdom of an increase." *Editor & Publisher* listed in its Mar. 24 issue the 1955 gross operating profits of the 14 major U.S. and Canadian producers and noted that they had risen more than 15 per cent on a sales increase of about 8 per cent.

Premier Maurice Duplessis of Quebec asked newsprint companies with headquarters in Quebec to exempt provincial publishers from the \$4-a-ton increase. When they refused to do so, he pushed through a bill imposing controls on production, distribution, and sale of newsprint in the province of Quebec. That measure, enacted Feb. 3, froze

<sup>6</sup> Between 1947 and 1955, according to the Commerce Department, pulpwood went up nearly 50 per cent in the South and 20 per cent in the North, inorganic chemicals about 40 per cent, wages around 60 per cent. Further wage increases totaling 20c an hour were announced by some Canadian companies early in April.

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newsprint prices at the Sept. 1, 1955, level until Mar. 1, 1957, but it has no force outside the province.

#### THREAT OF SHORTAGES TO FREEDOM OF PUBLICATION

Newsprint producers generally agree with newspaper publishers that inability to get newsprint, whether caused by insufficient supplies or prices beyond newspapers' ability to pay, poses a threat to a free and healthy press. "The freedom to write, to report news, to express ideas, to differ—all these become meaningless if the materials for mass communication are lacking."<sup>7</sup>

Chairman Arthur G. Klein (D-N.Y.) of the House subcommittee on newsprint stated on Jan. 10 that a shortage might act as a "form of censorship" by driving small papers out of business. A report submitted to his committee in January by the Department of Commerce pointed out that it was the smaller daily and weekly papers that are "penalized by inadequate supply." Small papers are particularly vulnerable because most of them lack long-term contracts with the mills and therefore must buy through dealers, jobbers, or commercial printers.<sup>8</sup> Even under ordinary conditions, small publishers must pay slightly more than contract prices.

Reports of small papers suspending publication because of inability to get, or to afford, newsprint have been heard, but the Commerce Department informed the House newsprint subcommittee that in 1955, to the best of its knowledge, there had been "only a very few instances where . . . publishers have not received enough newsprint to continue printing." The American Newspaper Publishers Association and many of the state publishers' organizations have been helping individual papers by borrowing newsprint from one member to fill the needs of another. The House subcommittee reported, Mar. 27, that it had been assured by A.N.P.A. and the Department of Commerce that they would assist in finding newsprint "so that no small newspaper would be forced to suspend publication solely . . . [because it could not] obtain . . . customary quantities."

<sup>7</sup> House Judiciary Committee, *The Newsprint Problem* (final report of special anti-trust subcommittee, Sept. 14, 1953), p. 1.

<sup>8</sup> Most newsprint is sold under long-term contracts, with reservations extending from five to 15 years. Larger papers able to buy in carload lots usually have such contracts and a good number of big papers have substantial interests in newsprint mills.

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High prices and low supplies not only limit the volume of news and advertising that established newspapers can print but make it virtually impossible to found new journalistic enterprises. Publications that express popular views are likely to prosper and be able to afford newsprint at higher prices, but those advocating unpopular measures are apt to suffer. Consequently, as a Senate Small Business subcommittee noted a few years ago, "A continuing shortage in the supply of newsprint operates as an effective means of inhibiting the free expression of minority views." This, it said, was a very real "problem of free speech."<sup>9</sup>

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### Roots of Chronic Newsprint Shortages

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THE NEWSPRINT PROBLEM dates back more than half a century. Since 1904, when a House committee held hearings "relative to causes of high prices of paper used for newspapers," there have been dozens of congressional investigations of newsprint prices and shortages. Every Congress since the 78th (in 1943) has investigated the newsprint industry.<sup>10</sup> During World War II, newsprint consumption was curtailed sharply as war needs drew heavily on available pulp supplies. Except for breathing spells during parts of 1949 and 1950 and most of 1953-1954, many newspapers have lived since the war under the threat of actual or imminent shortage.

At bottom, the newsprint problem is the problem of "continually rising demands pressing increasingly upon limited resources of productive equipment and raw materials."<sup>11</sup> And the United States is responsible for most of the increase in demand. With only some six per cent of the world's population, the United States consumes about 60 per cent of the world's newsprint.<sup>12</sup> For more than a

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<sup>9</sup> In a reply to the subcommittee's report, the International Paper Co. commented, in part: "The issue is not freedom of the press. Publishers want more paper for business reasons—to increase their earnings."

<sup>10</sup> "It has been facetiously remarked that one of the causes of a newsprint shortage is the publication of reports of investigations of the newsprint shortage."—Senate Small Business Subcommittee on Newsprint, *Supplies for a Free Press* (1951), p. 1.

<sup>11</sup> Intelligence Unit of *The Economist* (London), *Paper for Printing* (1952), p. 104.

<sup>12</sup> About 54 per cent of the newsprint used in the United States is consumed by daily and Sunday papers; the remainder is taken by weeklies and other periodicals, with relatively small proportions used for governmental, commercial, and all other purposes.



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quarter century this country has used, on the average, over half of all newsprint used anywhere.

#### DECLINE OF U.S. INDUSTRY; DEPENDENCE ON CANADA

The United States now depends on Canada for about 80 per cent of its newsprint supply, but that was not always the case. At the turn of the century this country was self-sufficient in newsprint, and for many years it was the world's largest producer. Not until 1926 did it have to import more than was produced within its borders. Thereafter, United States output of newsprint declined from the 1926 high of 1,687,000 tons to a low of only 721,000 tons in 1944. Then American production began a slow climb. By 1950 it had again reached the million-ton mark and last year's output was the largest since 1926.

#### U.S. NEWSPRINT OUTPUT, IMPORTS, CONSUMPTION (in short tons)

Year	Production	Imports	Apparent consumption*
1945	725,000	2,669,000	3,427,000
1946	773,000	3,492,000	4,202,000
1947	833,000	3,958,000	4,686,000
1948	876,000	4,395,000	5,161,000
1949	918,000	4,639,000	5,528,000
1950	1,013,000	4,863,000	5,856,000
1951	1,108,000	4,963,000	5,903,000
1952	1,109,000	5,033,000	5,940,000
1953	1,069,000	5,004,000	6,090,000
1954	1,192,000	4,992,000	6,082,000
1955	1,458,000	5,159,000	6,466,000

\*Production plus imports minus exports adjusted for year-end change in publishers' inventories and domestic mill stocks.

SOURCE: Commerce Department.

As American output fell, Canadian output rose. In 1926, Canada's production was roughly the same as that of the United States, but it has since left American output far behind. In 1946 Canadian production topped the 4,000,000-ton mark. During recent years the Canadian mills have operated steadily at more than 100 per cent of rated capacity; in 1955 they turned out nearly 6,200,000 tons of newsprint. Canada has ranked as the world's largest producer for three decades, and its output is now about half of the world total.

The decline of the newsprint industry in the United States and its rise in Canada were brought about by factors

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operating on both sides of the border. Canada is probably the world's best location for economical production of newsprint. It has large supplies of light-colored, long-fiber softwoods and of the pure water required for newsprint manufacture. In addition, the Canadian industry has hydroelectric power and low-cost water transportation; proximity to American markets and duty-free entry into the United States for its product.

Removal of the U.S. tariff on newsprint in 1913 gave great impetus to production in Canada and to the increase of imports by this country. Letting down the tariff barrier had no immediate effect on the American industry, but the older mills eventually found that they could not compete with the newer and larger mills in Canada, which were closer to cheap and abundant timber. By the mid-1920s, U.S. papermakers began to find it more profitable to convert their newsprint facilities to the manufacture of other paper products.

The Canadian newsprint industry is remarkable for its concentration both of production facilities and of top administration. Approximately four-fifths of all Canadian newsprint mills are located in the provinces of Quebec and Ontario. About half of total Canadian newsprint capacity is in the hands of only four companies. A House Judiciary subcommittee estimated in 1953, however, that at least 30 per cent of total Canadian capacity was controlled by American interests. Two years earlier, another subcommittee had reported evidence that some American interests had "donned the cloak of foreign immunity . . . to avoid the consequence of the antitrust laws of this country."

When the Justice Department in 1947 served subpoenas on Canadian companies selling newsprint in the United States, Ontario passed a law that made it a prison offense to remove corporation records from the province in answer to "any . . . order . . . or subpoena of any legislative, administrative, or judicial authority . . . outside . . . Ontario." Chairman Emanuel Celler (D-N.Y.) of the House Judiciary Committee has run afoul of that law several times and has said that it makes congressional investigation futile "because the books and the records of the newsprint companies are in Canada, impervious to . . . [U.S.] subpoena."<sup>18</sup>

<sup>18</sup> Quoted by *Editor & Publisher*, Oct. 29, 1955, p. 9.

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### HIGH-COST, LONG-TERM NATURE OF NEWSPRINT BUSINESS

Efficient production of newsprint requires large units and long-term programming: the larger the operation, the lower the costs of production. It is estimated that to be profitable a mill must turn out at least 300 tons of finished newsprint a day. Construction of a mill of that capacity requires a capital investment of \$100,000-\$120,000 per daily ton. Thus, a single mill might call for an outlay of anywhere from \$30 million to \$48 million, not including costs of the half-million acres of forest lands needed to support an operation of the minimum economic size.

Industry spokesmen assert that high costs and the low rate of return on total investment discourage the entry of new venture capital.<sup>14</sup> A statement submitted by the Crown Zellerbach Corporation, one of the largest producers, to a Senate Small Business subcommittee a few years ago gave the following summary of the industry's problems:

Newsprint capacity cannot be expanded and contracted readily on short notice, like a light fabricating or converting industry. A newsprint mill involves the harnessing of vast natural resources and a tremendous investment in relation to sales. Once built, a . . . mill must operate at a high capacity ratio or face financial failure.

It follows that continuity of demand must appear reasonably likely if businessmen are to invest in such ventures. There is always the gamble of whether the demand will still exist by the time new facilities come into production, which may be two to five years from the time the project is started. Company management must be reasonably certain of continuing demand before going into such a commitment.

Decline of demand during the depression drove the price of newsprint down to around \$40 a ton and idled more than one million tons of capacity in Canada. Between one-half and two-thirds of the Canadian newsprint industry went bankrupt. Producers have feared excess capacity and overproduction ever since; much of their reluctance to expand results from experiences of the 1930s.

"Memories of prewar gluts . . . die hard; not unnaturally they have made the producers wary investors." Moreover, any companies that expanded their plants today would be especially vulnerable to a decline in demand because of the inflated costs of new facilities. "Perhaps too the news-

<sup>14</sup> A House Judiciary subcommittee reported in 1951 that average profits in the newsprint industry since 1931 had indeed represented a low rate of return on invested capital.

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print industry is not averse from basking in the sun of the postwar seller's market, preferring a demand slightly in excess of supply, whereas the public prefers a supply well in excess of demand." <sup>15</sup>

#### **FAST GROWTH IN CIRCULATION AND SIZE OF NEWSPAPERS**

A principal reason for the scarcity of newsprint, aside from factors grounded in the history and nature of the newsprint industry, is the increase in circulation and size of newspapers. American publications have never been fatter or had more readers. Daily circulation of newspapers in the United States, according to Commerce Department estimates, will total about 57.4 million copies this year, an increase of more than 17 million since 1941. The average number of pages per issue (of dailies with more than 100,000 circulation) is around 40 at present, as contrasted with 27 pages 15 years ago.

During the last decade and a half, circulation of Sunday papers has jumped from 33.4 million to 48 million and their average size from 88 to 135 pages per issue. By 1965, the Commerce Department predicts, daily circulation will exceed 66 million copies with an average of 53 pages; the estimates for Sunday papers are 57 million copies and 179 pages. American consumption of newsprint in 1965 is therefore estimated to total 8,250,000 tons, as compared with the 6,466,000 tons consumed last year.

The business boom of 1955 produced a vast volume of advertising and pushed circulation and number of pages per issue to new highs. Larger circulations bring more advertising, which, in turn, requires more pages. Newspapers today generally consist of 60 per cent advertising and 40 per cent editorial matter, a complete reversal of the 1941 ratio. According to figures prepared by the American Newspaper Publishers Association, the amount of newsprint used for advertising has increased about 150 per cent during the last 15 years, while that required for editorial copy has risen only 12 per cent.

Newspapers this year will be larger than ever for at least two reasons. Volume of advertising is expected to reach a new high level, and the election campaigns will require extra space, both for editorial coverage and political advertisements. Between now and 1965, according to the

<sup>15</sup> Intelligence Unit of *The Economist*, *op. cit.*, pp. 69, 89.

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Commerce Department, the 60-40 ratio of advertising to editorial content is expected to remain constant, but advertising linage is expected to increase by 33 per cent.

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### **Efforts to Expand U.S. Newsprint Output**

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THE BEST SOLUTION to the problem of persistent newsprint shortages, it is generally agreed, is to increase production in the United States. Greater production abroad is desirable, but stepped-up output at home would afford safeguards against practices that are beyond American control. Chairman Klein of the House Commerce subcommittee on newsprint said last Nov. 22 that Congress obviously was not able to hold down prices of newsprint but it could encourage growth of the domestic industry so that supply might be increased and prices thereby lowered. And Chairman Celler of the House Judiciary Committee has said:

It is up to the publishers to establish a newsprint industry in the United States, utilizing the abundant supply of slash pine and bagasse [sugar cane residue] that is available. . . . We built a Frankenstein when we let down the tariff wall and the only remedy available is to make newsprint on a large scale in the United States, become self-sufficient . . . , and then re-apply the tariffs.<sup>16</sup>

But making the United States self-sufficient in newsprint would be a very costly undertaking. It has been estimated that consumption will reach 6,950,000 tons by 1958 and 8,250,000 tons by 1965. If the 1958-1965 increase alone were to be met from U.S. production, it is estimated that nine to 12 new mills costing \$400 million to \$480 million would be needed.

The U.S. newsprint industry has made a considerable comeback under stimulus of the higher prices of recent years. Much of the resurgence has been due to establishment of new productive facilities in the South. Development of a southern newsprint industry was made possible by discovery during the 1930s of a process permitting the use of southern pine as a basic material.<sup>17</sup> The first large

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<sup>16</sup> Quoted by *Editor & Publisher*, Oct. 29, 1955, pp. 9, 64.

<sup>17</sup> Spruce, fir, and hemlock have been the favored woods.

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newsprint mill ever built in the South began operations at Lufkin, Tex., in 1940. Producing only 32,000 tons the first year, it was turning out more than 100,000 tons by the end of its first decade. A second southern mill, with a 100,000-ton capacity, started production in a former war plant at Coosa Pines, Ala., early in 1950. And just two years ago, the Bowater Southern Corporation built a 275,000-ton mill at Calhoun, Tenn.

#### ERECTION OF NEW MILLS; ADDITION OF NEW MACHINES

On the basis of plans already announced by newsprint manufacturers, about 600,000 tons of new capacity will be added to the present U.S. total by the end of 1958. Two new mills will be built in the South by the International Paper Co., which heretofore has centered its newsprint operations in Canada. One of the mills, scheduled to start operation at Mobile, Ala., in September 1956, will produce at an annual rate of 115,000 tons; the other, to be built at Pine Bluff, Ark., is to be completed by the end of 1957 and will turn out 130,000 tons a year.

At least four new newsprint machines, which will increase capacity by 245,000 tons, are to be put in operation at existing United States mills by 1958—one each at Calhoun, Tenn.; Coosa Pines, Ala.; Lufkin, Tex., and Woodland, Me. A new machine installed last year at Millinocket, Me., will add 50,000 tons to American capacity in 1956. Speeding-up operations and modernizing various mills will add another 65,000 tons by 1958.<sup>18</sup>

A mill that eventually will produce 300 tons of newsprint a day is expected to be built in Colorado, perhaps as early as 1957. Construction of a 100,000-ton mill at Palatka, Fla., is reported to be under consideration. Charles McD. Puckette, president of the Southern Newspaper Publishers Association, said Dec. 2 that his organization was ready to do anything it could to help the Florida mill get started.

Alaska has resources capable of supporting a sizable newsprint industry, but development has been stymied by various factors, mainly the high cost of labor and transportation. A certificate of accelerated tax-amortization for

<sup>18</sup> According to Commerce Department estimates and press reports. Some press reports have put the amount of new capacity to be added by 1958 at closer to 800,000 than 600,000 tons. Canadian capacity will be expanded some one million tons by 1958, all as a result of the addition of new machines and faster operation of old ones. Only one new mill has been built in Canada since 1938. Increases in Canadian capacity have resulted almost entirely from modernization of existing mills.

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a 155,000-ton mill near Juneau was granted in September 1953 to the Georgia Pacific Plywood Corporation. Construction depended on the company's being able to get timber-cutting rights to U.S. Forest Service lands. Those rights finally were obtained last autumn, and the contract with the Forest Service calls for construction of a mill not later than 1961. However, a Commerce Department report to the Senate Banking Committee last January warned that the status of the Juneau mill was "still unsettled and [it] should not, as yet, be relied on as a source of newsprint before 1960, if then."

#### USE OF HARDWOODS, BAGASSE, DE-INKED NEWSPAPERS

Because expansion of the newsprint industry along traditional lines may not suffice to meet the prospective increase in demand, the development of new raw materials and processes has been encouraged. Perhaps the greatest advance in use of fibers others than those generally employed has been in utilization of hardwood pulps.

The Great Northern Paper Co. has built a large mill in Maine to produce pulp from hardwoods by the chemi-groundwood process developed at the New York State College of Forestry.<sup>19</sup> The newsprint being turned out at present is said to contain more than 25 per cent ground hardwood. Government agencies have reported that the chemi-groundwood process promises to enlarge substantially the resource base of the domestic newsprint industry.

The possibility of making pulp from agricultural residues, such as bagasse, peanut shells, and rice and oat hulls, has been under study by the Agricultural Research Service for two decades, but only bagasse has shown promise. Use of sugar cane waste for papermaking dates back to the mid-18th century, and it has long been hoped that bagasse would be widely adopted for newsprint manufacture. Although newsprint made from bagasse has scored well in laboratory tests, it is not now being produced on any large scale.

At present, only one U.S. mill, the Valentine Pulp & Paper Co. of Lockport, La., is using bagasse as a principal fiber in

<sup>19</sup> Nearly all newsprint is manufactured from a mixture of groundwood pulp and either sulfite or sulfate pulp made from softwoods. The groundwood process is mechanical. The sulfite and sulfate processes are chemical, the former using an acid solution, the latter an alkaline solution. In the chemi-groundwood process, wood blocks, two or four feet long, are treated with a liquor composed of sodium sulfite and sodium bicarbonate.



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the manufacture of paper and pulp. It makes a tablet-grade paper—sold for about \$210 a ton—that has been used to a limited extent by weekly newspapers in Louisiana.<sup>20</sup> The Commerce Department has reported that any increased use of newsprint made from bagasse does not appear likely “for the near future.”

Attempts to make newsprint from de-inked newspapers date back many years, but no process has yet yielded a product competitive with, or comparable to, newsprint derived from primary wood fiber. A few years ago, newsprint made from de-inked papers was turned out by a small mill in Gary, Ind., but that plant is no longer in operation. A demonstration in mid-January of a new process developed by Richard Scudder, publisher of the *Newark News*, has been termed promising by government observers. It is understood that after laboratory tests have been completed, either the experiment will be continued on a commercial basis or a mill to produce de-inked newsprint will be built.

#### OFFER OF FEDERAL LOANS TO MAKE OR BUY NEWSPRINT

The federal government at present has no direct program for expanding American production of newsprint. For several years, it granted certificates of accelerated tax-amortization to encourage construction of newsprint facilities, but that program terminated in December 1953. An increase of 400,000 tons in capacity was realized under the rapid tax-write-off program. Of the expansion to be carried out between now and 1958, only the new machine under construction at Lufkin, Tex., is being built with tax-amortization benefits.

In the present condition of shortage the government has indicated willingness to help small publishers obtain additional newsprint supplies. The Small Business Administration recently announced that, although its regulations normally bar direct loans to newspapers, it would extend assistance to pools organized by small publishers to produce or buy newsprint. The loan limit is \$250,000 for each member of a pool. No applications for either type of loan have been filed with S.B.A. to date.

<sup>20</sup> A number of Central and South American mills use bagasse to make newsprint. A special edition of the *Holyoke* [Mass.] *Transcript-Telegram* was run on bagasse newsprint in 1950.